

RFP for Third Party Administration for 457, 403(b) and 401(a) Plans and Stable Value Management--Responses to Bidders' Questions

1. In Section V.B.—Estimated Dates for Review and Selection Schedule, it states that the Stable Value Manager Selection will be by January 15, 2020. Is that a typo—and meant to be February 15, 2020? Is it anticipated that there will be Finalist Interviews for the stable value manager search? ***The selection for the Stable Value Manager will be in line with the recordkeeper selection, which is January 29, 2019. The Screening Committee may select up to three (3) finalists for interviews (please see Note #1 under Section V.B.).***
2. A net crediting rate is currently set annually and reviewed quarterly. Will the State consider a Fund structure that provides a daily return that is generated from the weighted average crediting rate of a diversified portfolio of investment contracts held in the Fund—with the underlying contract crediting rates reset quarterly? ***The preference is for an annual rate, reviewed quarterly; however, we will entertain alternative proposals.***
3. Are the total assets of the plan, \$5.7 billion? ***Yes.*** Or is it \$6 billion to include the \$300 million in the 403(b) pre-2006? ***Pre-2006 assets are excluded.***
4. How many unique participants/social security numbers are across the 457(b), 403(b) and 401(a) plans? ***There are 57,738 unique participants.***
5. What are the current fees for the plan today? ***This information is not pertinent to your response. You should provide your best pricing based on the demographic information provided and your proposed servicing model.***
6. Please provide a list of any ancillary fees that are currently being charged to the plan and or its participants. i.e.) QDRO's, financial advice, etc. ***This information is not pertinent to your response. You should provide your best pricing based on the demographic information provided and your proposed servicing model.***
7. Does the plan currently utilize a self-directed brokerage option? ***No.*** If so, please provide the company being used as well as the total assets in the program today. ***The Plans do not currently offer and do not intend to add a brokerage window.***
8. Can you please specify the format and medium that you are requesting for records? retention? ***We are requesting that the records be retained electronically in csv or text format (TXT).***
9. What are the rule changes in the collective bargaining agreement that will take place in mid-2022? ***The rule changes will limit the amount and frequency of COLA payments for retirements occurring on or after 7/1/2022.***
10. Are there currently any recordkeeping pain points, either at the participant or plan level? If so, please list those pain points. ***No.***

11. Is Defined Benefit aggregation of interest? *Yes, the current vendor includes that in its retirement calculator service.*
12. Are these participants participating in Social Security? *Approximately 11,000 of the total 69,000 state employees (including part-time and temporary workers) do not participate in Social Security.*
13. Are references required for bidders proposing stable value investment management services only? *References should be provided for bidders proposing stable value investment management services.*
14. Will the State of Connecticut consider a stable value fund option that does not have a guaranteed rate > 0% (i.e. an option with less than 1% guaranteed)? *No.*
15. Would the State of Connecticut consider a stable value fund without a stated declared quarterly crediting rate? *No.*
16. Are you looking to maintain the identical structure of the Connecticut Stable Value Fund (benchmarks, duration, sector allocation, credit quality, etc.) or are you open to considering different stable value structures? *We are willing to consider other structures.*
17. Can you provide a copy of the investment guidelines for the overall Connecticut Stable Value Fund?
The target allocation of the Stable Value Fund is: 35% Core Plus, 30% Intermediate (10% Voya & 20% JPM), 35% General Account. Each of the component funds has its own guidelines.
18. If you cannot provide the fund's guidelines, are there guideline requirements for book value guarantors (minimum credit quality, maximum allocation per issuer, etc.)? *Guidelines have been provided.*
19. What party has ongoing responsibility to monitor and evaluate the credit quality of the book value guarantors, the fees, and the contract provisions? Are you looking for a stable value manager to assume fiduciary oversight responsibility for any of the book value guarantors?
Segal Marco Advisors will review the Stable Value Fund with the State at its quarterly meetings, which includes a high-level review of wrap arrangements.

It is the responsibility of the selected investment manager(s) to monitor the credit quality, fees and contract provisions of existing wrap agreements since it will be their discretion on selection of those contracts. Voya does not currently act as a fiduciary for the book value guarantors.
20. Can you provide the market to book value ratio, crediting rate, duration for each of the components of the stable value fund? (Voya/JP Morgan – Int. Agg; Voya/Voya – Int. Agg; Voya/Voya – Core Plus; Prudential General Account)? *This is not pertinent to your response. Your proposal should provide your recommended best solution for the Plans.*

The MV/BV are:

Voya Core Plus – 103.36%

Voya Intermediate – 103.36%

JP Morgan – 103.36%

Prudential – 457(b): 102.4%, 401(a): 102.2%, 403(b): 102.5%, Tier IV: 105.1%

21. Can you provide the overall portfolio's duration, credit quality breakdown and sector allocation? ***This is not pertinent to your response. Your proposal should provide your recommended best solution for the Plans.***
22. What is the size of the 403(b) plan's stable value allocation? ***\$305,668,002***
23. Can you provide details on the stable value option being utilized in the 403(b) plan? Is this a General Account contract, insurance separate account or something else? ***The options being utilized are the same across all Plans. It is a combination of three insurance separate accounts and a General Account:***
- ***Voya Core+ (benchmarked to the Bloomberg Barclay's Capital U.S. Aggregate Bond Index)***
 - ***Voya Intermediate and JP Morgan (benchmarked to the Bloomberg Barclay's Capital U.S. Intermediate Aggregate Bond Index)***
 - ***Prudential General Account contract***
24. Does the Prudential contract contain a minimum crediting rate guarantee that is different from the 1% floor rate associated with the stable value fund? ***No***
25. We understand that the crediting rate is set annually and reevaluated quarterly. Are quarterly adjustments to the declared crediting rate common? ***Yes, while quarterly resets are common, adjustments to the declared crediting rate have been relatively modest since 2015.***
26. Could you please confirm if the State would be open to a Managed Account Program? ***Yes***
27. Could you verify how many unique SSN numbers there are between the Plans? Should pricing be based on the # of accounts or also on the # of unique participants? ***There are 57,738 unique participants.***
28. Do you support the record-keeper pulling files off the CT server using sftp over port 22? ***Yes.***
29. Please provide an estimated market value lump sum calculation as of 9/30/2019 for the Prudential Guaranteed Long Term Fund contracts. ***It is as follows:***
- ***457(b): 102.4%***
 - ***401(a): 102.2%***
 - ***403(b): 102.5%***
 - ***Tier IV: 105.1%***

30. Can you provide an estimate of the total balances held within the plans for the approximate 14,000 participants eligible for retirement July 1, 2022? *Not all 14,000 employees eligible to retire on or before July 1, 2022 are enrolled in the 457 or 403(b) plans. and some plan participants include those who have retired or separated from service. The combined assets of plan members aged 55 years and above in the Alternate Retirement Program, the 457 Plan and the 403(b) Plan is \$3,847,510,288.*
31. How many onsite education specialists are assigned to the State's Plan today and how many education days are currently supported? Are these viewed as sufficient for the State's educational needs? *We want bidders to propose a level of service that is consistent with the Plans' combined asset size, employee population, and number of impending retirements in 2022. We would prefer that the selected vendor commit to providing a more robust line-up of retirement counselors than is currently in place.*
32. Would the State be open to a stable value manager using an insurance company annuity wrap contract with a 0% crediting rate floor which would likely result in a lower wrap fee? *No*. If so, would such a contract be consistent with the requirements of Connecticut General Statute 5-264a (e)? *Not applicable.*
33. Would the State be open to a stable value fund solution which credits interest daily using the blended rate of the wrap contracts (which are reset monthly) and a liquidity buffer? *No*
34. The current stable value option is currently offered to four defined contribution plans with one of those being a Section 403(b) plan. All four plans offer the stable value option through group annuity contracts issued by an insurance company. The RFP also indicates that the 403(b) plan has a different version of the stable value option. If we were to propose a stable value option would we be expected to offer our product as a subadvisor under these existing group annuity contracts? Would we be excluded from consideration if we cannot offer our product to the 403(b) plan? *Yes*
35. Please provide the specific contractual language governing the liquidity/termination provisions of the Stable Value Fund's contracts. Specifically, we are seeking to better understand the timing of the payment options described in the Request for Proposal, as well as whether the contracts have the option of being terminated at market value if market value is below book value.

Prudential Guaranteed Long-term Fund: "GLTA TERMINATION TRANSFER LIMITATION. If this Agreement terminates under Section 5 of the Base Agreement, the limitations of this Section apply. We will disburse the assets from the GLTA under one of the following options, as You elect. (A) Disbursement of Book Value in Installments. We will disburse the assets from the GLTA in six annual installments over a period of five (5) years.

We will issue a written guarantee of the interest rate that We will credit to the unpaid balance of the GLTA. The interest rate will be an annual rate and will not change during the life of the installment payment period (the "Installment Period Rate"), and will be determined as

follows: Installment Period Rate = $i - (j-i)$ where (i) is the estimated earned rate on the assets invested in the GLTA as of the Termination Date, defined in Section 5.2 of the Base Agreement, adjusted to reflect the amortization of all unrealized capital gains or losses and unrecovered permanent impairments, and (j) is the estimated earned rate on new investments in the Guaranteed Long Term Fund as of the Termination GA-2020-GLTANP-74344-74345 5 Date. We will always credit an interest rate greater than or equal to the Minimum Rate as described in Section 1.3 hereunder. The maximum interest rate We will credit is equal to the rate described in (i) above. In addition, we will continue to charge Expenses described in the Expense Schedule. Notwithstanding the preceding paragraphs, we may accelerate payments at any time. (B) Disbursement of Market Value in a Lump Sum. We will disburse the market value of the GLTA assets in one single lump sum. We will determine the market value based on PRIAC's established practices in effect as of the Termination Date for agreements in the same class of business as this Agreement. We may defer payment under this option for a maximum period of six (6) months from the Termination Date. During the deferral period, we will continue to apply Credited Interest. (C) Payment Over a Maximum Period of Ten Years. We will disburse the assets from the GLTA in annual installments over no more than ten (10) years from the Termination Date. The initial disbursement will be on the first anniversary of the Termination Date. Any subsequent disbursements will be made on each calendar year anniversary of the Termination Date. We will issue a written guarantee of the interest rate that We will credit to the unpaid balance of the GLTA. The interest rate will be an annual rate and will not change during the life of the installment payment period (the "Installment Period Rate"), and will be determined as follows: Installment Period Rate = the estimated earned rate on the assets invested in the GLTA as of the Termination Date - 1% We will always credit an interest rate greater than or equal to the Minimum Rate as described in Section 1.3 hereunder. In addition, we will continue to charge Expenses described in the Expense Schedule. The number of annual payments will be referred to as "N" where $N = (j-i)$ times 100 rounded up to the next integer but N is not less than 1 or greater than 10, j = the estimated earned rate on new investments in the Guaranteed Long Term Fund as of the Termination Date, and GA-2020-GLTANP-74344-74345 6 i = the estimated earned rate on the assets invested in the GLTA as of the Termination Date. Each disbursement will be an amount equal to $1/(N-t+1)$ times the remaining value of the GLTA, where t equals 1 for the first installment, 2 for the second installment, and so on until it equals N for the last installment. During this installment period, as the Plan permits, we will continue to pay Distributions for retirement, termination, disability or death, Distributions required by Code Section 401(a)(9) or hardship withdrawals as permitted under the Plan. Also, after the Termination Date, as the Plan permits, We will continue to pay Transfers so long as: (a) the GLTA is part of the Plan's stable value investment option and that investment option comprises at least one other investment contract; (b) amounts payable from investment contracts constituting the Plan's stable value option are on a "last in, first out" basis with all other investment contracts being used before the GLTA to pay Transfers, i.e., the value of each of the other investment contracts that constitute the Plan's stable value option must be \$0 before a Transfer is paid from the GLTA; and (c) Transfers to a Competing Fund may be restricted in accordance with Section 1.8 of the Addendum. Notwithstanding the foregoing, as provided under Section 5.4(B) and (C) of the Base Agreement, we will

pay Termination Disbursements occurring as a result of the Plan's termination or failure to meet the requirements of Code Section 457(b) in a single lump sum payment or as You and We mutually agree and the limitations of this Section 1.9 will not apply. We will also pay Termination Disbursements occurring as a result of termination of this Agreement under Section 5.1(D) of the Base Agreement in a single lump sum payment and the limitations of this Section 1.9 will not apply."

Both Voya portfolios and JP Morgan:

Lump Sum

You may discontinue this contract by giving us 30 days advance written notice. A discontinuance may be total or may be for a group of Participants (a "partial discontinuance"). The discontinuance is effective on the later of: (a) The date specified in your notice, or (b) 30 days after we receive your notice. We will pay all available funds to you as follows: (a) In the case of a total discontinuance, at your election, we will pay the balance of the Interest Accumulation Fund, subject to the terms described in the attached Book Value Settlement Exhibit. (b) If the Separate Account Balance is greater than the Interest Accumulation Fund, you may elect payment of the Interest Accumulation Fund in a single payment. At your election, the single payment will be made in cash or as a transfer of securities in kind from the Separate Account. If a transfer in kind payment is elected, a pro rata portion of each security in the Separate Account will be transferred such that the market value of the transferred securities portfolio equals the closing balance of the Interest Accumulation Fund.

Book Value Settlement

Within 30 days of the date this contract's discontinuance is effective, we will establish an initial installment payment schedule for this contract. The initial installment payment schedule will establish three target dates for the payment to you of the balance of the Interest Accumulation Fund in installments. The target dates will be established in relation to the target duration of the Separate Account. The first target date will be six months prior to a date (the "Central Maturity Date") that is established by adding a period equal to the target duration of the Separate Account to the date this contract's discontinuance is effective. The second target date will be the Central Maturity Date. The third and final target date will be six months after the Central Maturity Date.

The amount that is scheduled to be paid on each target payment date is as follows:

- *6 months prior to Central Maturity Date: 1/3 Remaining Interest Accumulation Fund*
- *Central Maturity Date: 1/2 Remaining Interest Accumulation Fund*
- *6 Months following Central Maturity Date: Remaining Interest Accumulation Fund*

36. What portion of the Stable Value Fund's assets is allocated to the Fund via Prudential's GoalMaker? *As of 9/30/19, \$137,068,221 of Stable Value Fund assets were invested in GoalMaker. Please note that combined Stable Value assets across the four plans amounted to \$2,024,124,128 as of 9/30/2019.*

37. The RFP states that any political subdivision (a city, county or other local unit) that adopts the terms of the State Deferred Compensation Plan and executes a participation agreement may participate in the Deferred Compensation Plan and that 24 for such entities do so.

a. Please provide the total stable value assets of the largest 10 such political subdivisions.

\$8,793,743 in Stable Value for the top 10 subdivisions

b. If any such entity elected to no longer participate in the Plan, what would be the terms of their exit provisions? Would they be permitted to withdraw participant assets from the Plan on behalf of their participants? ***Yes, subject to any requirements that may be applicable to withdrawal of Stable Value assets.***

38. Are participating employers in the 403(b) Plan, the Alternate Retirement Program, or the Tier IV Plan allowed to participate on an elective basis? ***The Alternate Retirement Program and the tier IV Plan are core retirement plans of the State of CT. We do not offer these plans to other employers. The 403(b) plan is available to higher education and hospital employees of the State of CT only. Although Conn. Gen. Stat. §5-264(c) permits the Comptroller to make the 403(b) plan available to political subdivision, no entities that have elected to join the plan.***

a. If so, please provide the total stable value assets of the largest 10 such electively participating employers. ***Not applicable.***

b. If any such entity elected to no longer participate in the Plan, what would be the terms of their exit provisions? Would they be permitted to withdraw participant assets from the Plan on behalf of their participants? ***Not applicable.***